

CITY OF STRAWBERRY POINT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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City of Strawberry Point

Officials

Dale Fox	Mayor	Dec 2011
Rich Newman	Council Member	Dec 2013
Jackie Opperman	Council Member	Dec 2011
Jacci Meyers	Council Member	Dec 2013
Troy Stover	Council Member	Dec 2011
Replaced by: McKenzie Johnson	Council Member (term began 8/17/11)	Dec 2011
Jan Parkin	Council Member	Dec 2011
Replaced by: Mike Tucker	Council Member (term began 5/18/11)	Dec 2011
Deanna Dement	City Clerk/Administrator	Dec 2011
Timothy Schloss	Attorney	Indefinite

City of Strawberry Point

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
Fax (319)283-2799

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Strawberry Point's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2011 on our consideration of the City of Strawberry Point's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages I through VII and budgetary comparison information on pages 21 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Strawberry Point's basic financial statements. Other supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 13, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Strawberry Point provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased approximately \$54,797, primarily due to the grants that were received.
- The cash basis net assets of the City's business type activities increased \$66,229, due primarily from redeeming in CDs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer system and the electric utilities. These activities are financed primarily by user charges and related charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for electric, sewer and water utility operations. The Electric and Sewer Funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities. Receipts were decreased this year primarily due to no bonds being issued. Disbursements were also decreased this year due to no large capital projects being expended throughout the year.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service	\$378,418
Operating grants, contributions and restricted interest	2,879
Capital grants, contributions and restricted interest	1,250
General receipts:	
Property tax	507,868
I-JOBS	7,366
Unrestricted interest on investments	39,900
Rents	48,716
Contributions	6,855
Miscellaneous	<u>108,355</u>
Total receipts	<u>1,101,607</u>
Disbursements:	
Public safety	275,921
Public works	198,893
Culture and recreation	201,409
Community and economic development	33,311
General government	115,385
Debt service	149,985
Capital projects	22,259
Business-Type	<u>39,091</u>
Total disbursements	<u>1,036,254</u>
Excess of receipts over disbursements	65,353
Transfers, net	<u>(10,557)</u>
Increase in cash basis net assets	54,796
Cash basis net assets beginning of year	<u>1,006,960</u>
Cash basis net assets end of year	<u>\$1,061,756</u>

Changes in Cash Basis Net Assets of Business Type Activities

Year ended June 30, 2011

Receipts:

Program receipts:

Charges for service:

Electric	\$1,088,331
Sewer	187,516
Water	101,867
Use of money and property	2,190
Miscellaneous	<u>22,514</u>
Total receipts	<u>\$1,402,418</u>

Disbursements:

Electric	928,712
Sewer	108,208
Water	90,015
Electric generator	115,633
Non major	<u>104,178</u>
Total disbursements	<u>1,346,746</u>

Excess of receipts over disbursements 55,672

Transfers, net 10,557

Increase in cash basis net assets 66,229

Cash balances beginning of year 571,823

Cash balances end of year \$638,052

Total business type activities cash basis net assets increased due to redeeming in CDs held by the City. The CDs were redeemed since the interest rate was so low and more interest was received on the regular checking account.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Strawberry Point completed the year, its governmental funds reported a combined fund balance of \$1,061,756. The following are the major reasons for the changes in fund balances of the major funds from the prior year:

- The General Fund cash balance decreased \$30,389 from the prior year to a year-end balance of \$120,275. The decrease is due to purchasing equipment for the ambulance and purchasing new park equipment.

- The General Fund cash balance decreased \$30,389 from the prior year to a year-end balance of \$120,275. The decrease is due to purchasing equipment for the ambulance and purchasing new park equipment.
- The Special Revenue, Road Use Tax Fund cash balance decreased from the prior year to a year-end balance of \$88,109. This change was attributable to the purchase of a new dump truck.
- The Special Revenue, Local Option Sales Tax Fund decreased \$846 during the fiscal year due to an increase in disbursements for general government.
- The Debt Service Fund cash balance decreased \$5026 during the fiscal year. The change was primarily due to paying an extra \$5000 principal payment.
- The Capital Projects Fund cash balance increased \$49,177 during the fiscal year due to transfers to the fund for the upcoming Elkader Street project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund cash balance increased \$47,083 to a year-end balance of \$209,650 due to an increase in usage for the utility customers.
- The Sewer Fund cash balance increased \$15,347 to a year-end balance of \$25,568.
- The Water Fund cash balance increased \$8,849 to a year-end balance of \$75,610 due to cashing in a CD.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended the budget one time. The amendment was approved on May 4, 2011. The amendment resulted in an increase in governmental activities due to the purchase of the new dump truck and playground equipment. It also resulted in an increase in business type activities due to electric conversions and sewer improvements.

Use of money and property receipts were greater than budgeted amount due to cashing in CDs. Charges for fees and services receipts were less than budgeted.

The City exceeded the amounts budgeted in public safety and general government for the year ended June 30, 2011 due to miscellaneous expenses and operating expenses for city hall and expenses to get the storm sirens in operation.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$3,029,000 in long-term debt outstanding. The chart below segregates the City's debt into its component parts.

Outstanding Debt at Year-End	
	<u>June 30, 2011</u>
General Obligation notes	\$ 1,135,000
Revenue notes/bonds	<u>1,894,000</u>
Total	<u>\$ 3,029,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is \$1,135,000, below its constitutional debt limit of approximately \$2,305,397.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Strawberry Point's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. The City's FY2012 assessed taxable value has decreased 3%, or \$768,041, from the FY 2011 level.

The FY2012 budget contains receipts of \$3,175,724 and disbursements of \$3,173,492. This budget is considerably higher than the FY2011 final budget which contained total receipts of \$2,927,457 and disbursements of \$2,915,469. The FY2012 budget includes approximately \$3,674 less for other city taxes, \$18,426 less for intergovernmental receipts, and \$71,035 less for charges for services.

The FY2011 levy is \$14.873 per \$1,000 of taxable valuation, a decrease of \$.00357 per \$1,000 of taxable valuation from FY2010. The debt service levy decreased from \$2.74 per \$1,000 of taxable valuation for FY2010 to \$2.57 per \$1,000 of taxable valuation for FY2011.

These parameters were taken into consideration when adopting the budget for FY2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deanna Dement, City Clerk, 111 Commercial Street, Strawberry Point, Iowa 52076.

Basic Financial Statements

City of Strawberry Point

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

Functions / Programs:	Disbursements	Charges for Service	Program Receipts
			Oper. Grants, Contributions, and Restricted Interest
Governmental activities:			
Public safety	\$ 275,921	98,021	295
Public works	198,893	170,264	-
Health and social services	-	-	-
Culture and recreation	201,409	16,446	2,584
Community and economic development	33,311	-	-
General government	115,385	24,440	-
Debt service	149,985	-	-
Capital projects	22,259	-	-
Business type	39,091	69,247	-
Total governmental activities	1,036,254	378,418	2,879
Business type activities:			
Sewer	108,208	187,516	-
Water	90,015	101,867	-
Electric	928,712	1,088,331	-
Electric Generator	115,633	-	-
Nonmajor business type funds	104,178	-	-
Total business type activities	1,346,746	1,377,714	-
Total	\$ 2,383,000	1,756,132	2,879

General Receipts:

Property tax levied for:

General purposes

Debt Service

I-JOBS

Unrestricted interest

Rents

Contributions

Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Nonspendable

Restricted

Committed

Assigned

Unassigned

Total cash basis net assets

See notes to financial statements

Capital Grants, Contributions and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(177,605)	-	(177,605)
-	(28,629)	-	(28,629)
-	-	-	-
1,250	(181,129)	-	(181,129)
-	(33,311)	-	(33,311)
-	(90,945)	-	(90,945)
-	(149,985)	-	(149,985)
-	(22,259)	-	(22,259)
-	30,156	-	30,156
1,250	(653,707)	-	(653,707)
-	-	79,308	79,308
-	-	11,852	11,852
-	-	159,619	159,619
-	-	(115,633)	(115,633)
-	-	(104,178)	(104,178)
-	-	30,968	30,968
1,250	(653,707)	30,968	(622,739)
	405,988	-	405,988
	101,880	-	101,880
	7,366	-	7,366
	39,900	2,190	42,090
	48,716	-	48,716
	6,855	-	6,855
	108,355	22,514	130,869
	(10,557)	10,557	-
	708,503	35,261	743,764
	54,796	66,229	121,025
	1,006,960	571,823	1,578,783
	\$ 1,061,756	638,052	1,699,808
	-	-	-
	265,811	327,223	593,034
	-	-	-
	-	-	-
	795,945	310,829	1,106,774
	\$ 1,061,756	638,052	1,699,808

City of Strawberry Point

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2011

	General	Special Revenue Electric P&I #125	Debt Service Debt Service #200	Capital Capital Equip #310
Receipts:				
Property/Other tax	\$ 241,363	-	66,783	-
Licenses and permits	1,705	-	-	-
Use of money and property	81,918	3,460	-	1,262
Intergovernmental	40,271	-	-	-
Charges for service	193,231	-	-	5,675
Special assessments	-	-	25,405	-
Miscellaneous	24,807	-	-	-
Total receipts	583,296	3,460	92,188	6,937
Disbursements:				
Operating:				
Public safety	228,398	-	-	-
Public works	69,787	-	-	-
Health and social services	-	-	-	-
Culture and recreation	155,539	-	-	-
Community and economic development	-	-	-	-
General government	106,963	-	-	-
Debt service	-	-	149,985	-
Capital projects	-	-	-	-
Business Type	-	-	-	-
Total disbursements	560,685	-	149,985	-
Excess of receipts over disbursements	22,611	3,460	(57,797)	6,937
Other financing sources (uses):				
Operating transfers in	-	-	52,772	15,000
Operating transfers out	(53,000)	-	-	-
Total other financing sources (uses)	(53,000)	-	52,772	15,000
Net change in cash balances	(30,389)	3,460	(5,025)	21,937
Cash balances beginning of year	150,664	143,326	37,415	189,871
Cash balances end of year	\$ 120,275	\$ 146,786	\$ 32,390	\$ 211,808
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted	-	146,786	32,390	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	120,275	-	-	211,808
Total cash basis fund balances	\$ 120,275	\$ 146,786	\$ 32,390	\$ 211,808

See notes to financial statements

Projects	Nonmajor	
Capital Equip #314	Governmental	Total
-	199,722	507,868
-	-	1,705
2,662	1,507	90,810
-	140,242	180,513
-	1,200	200,106
-	52,631	78,036
-	17,761	42,568
2,662	413,063	1,101,607
-	47,523	275,921
-	129,106	198,893
-	-	-
-	45,871	201,409
-	33,311	33,311
-	8,422	115,385
-	-	149,985
-	22,259	22,259
-	39,091	39,091
-	325,583	1,036,254
2,662	87,480	65,353
-	143,436	211,208
-	(168,765)	(221,765)
-	(25,329)	(10,557)
2,662	62,151	54,796
110,258	375,426	1,006,960
\$ 112,920	\$ 437,577	1,061,756
-	-	-
-	86,635	265,811
-	-	-
-	-	-
112,920	350,942	795,945
\$ 112,920	\$ 437,577	\$ 1,061,756

City of Strawberry Point

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2011

Total governmental funds cash balances (page 10)	\$ 1,061,756
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Cash basis net assets of governmental
activities (page 8)**

\$ 1,061,756

Net change in cash balances (page 10)

\$ 54,797

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Change in cash balance of governmental
activities (page 8)**

\$ 54,797

See notes to financial statements

City of Strawberry Point

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2011

	Sewer	Water	Electric	Electric Generator	Nonmajor	Total
Operating receipts:						
Charges for service	\$ 187,516	101,867	1,088,331	-	-	1,377,714
Use of money and property	-	1,220	970	-	-	2,190
Miscellaneous	661	4,778	17,075	-	-	22,514
Total operating receipts	188,177	107,864	1,106,377	-	-	1,402,418
Operating disbursements:						
Business type	108,208	90,015	928,712	115,633	104,178	1,346,746
Total operating disbursements	108,208	90,015	928,712	115,633	104,178	1,346,746
Excess (deficiency) of receipts over (under) disbursements	79,969	17,849	177,665	(115,633)	(104,178)	55,672
Non-operating receipts (disbursements):						
Operating transfers in	49,557	-	-	115,582	104,178	269,317
Operating transfers out	(114,178)	(9,000)	(130,582)	-	(5,000)	(258,760)
Total financing sources(uses)	(64,621)	(9,000)	(130,582)	115,582	99,178	10,557
Net change in cash balances	15,348	8,849	47,083	(51)	(5,000)	66,229
Cash balances beginning of year	10,221	66,761	162,567	136,440	195,834	571,823
Cash balances end of year	\$ 25,569	75,610	209,650	136,389	190,834	638,052
Cash Basis Fund Balances						
Nonspendable	\$ -	-	-	-	-	-
Restricted	-	-	-	136,389	190,834	327,223
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	25,569	75,610	209,650	-	-	310,829
Total cash basis fund balances	\$ 25,569	75,610	209,650	136,389	190,834	638,052

See notes to financial statements

City of Strawberry Point

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2011

Total enterprise funds cash balances (page 12)	\$	638,052
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The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Cash basis net assets of business type
activities (page 8)**

\$ 638,052

Net change in cash balances (page 12)

\$ 66,229

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Change in cash balance of business type
activities (page 8)**

\$ 66,229

See notes to financial statements

City of Strawberry Point

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Strawberry Point is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Strawberry Point has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission and Clayton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Electric Principal and Interest Reserve Fund (#125) is to be used if for some reason the City is unable to make a payment on its Electric Revenue Bond debt.

The Debt Service Fund (#200) is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

Capital Equipment Improvement (#310) is utilized to account for any capital equipment improvements within the city.

Capital Electric Equipment Improvements (#314) is utilized to account for a bond requirement.

The City reports the following major proprietary funds:

The Enterprise Sewer Fund (#610) accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise Water Fund (#600) accounts for the operation and maintenance of the City's water system.

The Enterprise Electric Fund (#630) accounts for the operation and maintenance of the City's electric facilities and services.

The Enterprise Electric Generator Sinking Fund (#631) is used to make payments on the Electric Revenue Bond debt.

C. Measurement Focus and Basis of Accounting

The City of Strawberry Point maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 the City exceeded amounts budgeted under the general government program.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2011, the City had no investments, as all ending fund balances were in the form of certificates of deposit, savings accounts and checking accounts.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days and meet their definition of *Instruments Eligible for Investment*. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity of the General Obligation Capital Loan Notes and Revenue Bonds are as follows:

Year Ending June	Capital Obligation <u>Capital Loan Notes</u>		Electric Revenue Bds Clean Water SRF		IFA-Clean Water Drinking Water SRF	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	100,000	46,735	90,000	27,378	65,000	36,120
2013	100,000	42,663	90,000	24,228	67,000	34,170
2014	105,000	38,646	95,000	20,898	69,000	32,160
2015	110,000	34,363	100,000	17,240	71,000	30,090
2016	115,000	29,828	100,000	13,240	73,000	27,960
2017-2021	355,000	97,178	215,000	13,870	398,000	105,660
2021-2025	250,000	21,478	-	-	461,000	42,330
2026-2030	-	-	-	-	-	-
	<u>1,135,000</u>	<u>781,361</u>	<u>690,000</u>	<u>116,854</u>	<u>1,204,000</u>	<u>308,490</u>

Revenue Bonds:

The City has an Electric Revenue Refunding Bond, Series 2008, dated May 1, 2008. Original amount was \$935,000. Interest rates are 3.0% to 4.3%. The bonds are not payable in any manner by taxation. Bonds are payable only from future net revenues of the Utility. City has a reserve fund (#631) which is to be used if net revenues of the Utility are insufficient to make payments on this debt. This reserve account had a balance of \$136,389 at June 30, 2011.

On February 7, 2006 the City entered into a State Revolving Fund Loan Iowa Finance Authority and its partner Iowa Department of Natural Resources. Interest rate is 3.0%. The bonds were issued pursuant to the provisions of Chapter 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's sewer system. Bond will only be redeemed from future earnings of the fund. City shall make sufficient transfers to a sewer revenue bond sinking account for the purpose of making principal and interest payments when due. Balance at June 30, 2011 was \$1,204,000.

(4) Pension and Retirement Benefits

Iowa Public Employees Retirement System-

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011 was \$24,478.

(5) Other Postemployment Benefits (OPEB)

Plan Description-The City operates a single-employee retiree benefit plan which provides medical and dental benefits for current employees and their families and retirees only. There are 8 active and retired members in the plan. Participants must be age 55 or older at retirement.

The medical/ dental benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/ prescription drug benefits as active employees.

Funding Policy- The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$408 for single coverage and \$1,019 for family coverage. The City only pays for single coverage for retired employees. Retired employees must pay difference to current premium and \$335. For the year ended June 30, 2011, the City contributed \$33,585 and plan members eligible for benefits contributed \$3,799 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave, personal and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability

for earned vacation, sick leave, personal and compensatory time payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Vacation \$10,165, sick pay \$795, personal \$1,122 and compensatory \$349.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General:	Special Revenue:	
Fire	T&A Fire	\$ 5,000
Civic Center	T&A Civic Center	8,000
	Capital Projects:	
Pool	Pool Capital Equipment	20,000
Ambulance	Ambulance Capital Equipment	20,000
Special Revenue:	Debt Service:	
Road Use Tax	Debt Service	28,000
	Capital Projects:	
Road Use Tax	Capital Improvement – Street	4,100
LOST – Debt Service	Capital Improvement – Street	67,336
Capital Projects:	Debt Service:	
Streetscape	Debt Service	24,772
	Proprietary:	
Capital Improvement – Sewer	Sewer	44,557
Proprietary:	Capital Projects:	
Water	Water Capital Equipment	9,000
Sewer	Capital Improvement – Sewer	10,000
Electric	Electric Capital Equipment	15,000
	Proprietary:	
Sewer	Sewer Revenue	104,178
Sewer Surplus	Sewer	5,000
Electric	Electric Generator	115,582
	TOTAL	<u>\$ 480,525</u>

(8) Related Party Transactions

The City had business transactions between the City and City employees totaling \$207 during the year ended June 30, 2011.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Balance

The Special Revenue- Trust and Agency-Tree Board, Township Property Tax and Capital Projects-Capital Equipment Improvements-Fire had deficit balances at June 30, 2011. The City considers these temporary and will eliminate with the receipt or transfer of funds.

(11) Litigation

There is no pending litigation pending involving the City of Strawberry Point.

(12) Subsequent Events

No significant subsequent events were noted.

(13) Accounting Change

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The City has no policy to determine fund classification under GASB No. 54 therefore all fund balances are classified as either restricted or unassigned.

Required Supplementary Information

City of Strawberry Point

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property and Other tax	\$ 507,868	-	-
Licenses and permits	1,705	-	-
Use of money and property	90,810	2,190	-
Intergovernmental	180,513	-	-
Charges for service	200,106	1,377,714	-
Special assessments	78,036	-	-
Miscellaneous	42,569	22,514	-
Total receipts	1,101,607	1,402,418	-
Disbursements:			
Public safety	275,921	-	-
Public works	198,893	-	-
Health and social services	-	-	-
Culture and recreation	201,409	-	-
Community and economic developr	33,311	-	-
General government	115,385	-	-
Debt service	149,985	-	-
Capital projects	22,259	-	-
Business type activities	39,091	1,346,746	-
Total disbursements	1,036,254	1,346,746	-
Excess of receipts over disbursements	65,353	55,672	-
Other financing sources, net	(10,557)	10,557	-
Excess of receipts and other financing sources over disbursements and other financing uses	54,796	66,229	-
Balances beginning of year	1,006,960	571,823	-
Balances end of year	\$ 1,061,756	638,052	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
507,868	508,969	512,725	(4,857)
1,705	905	905	800
93,000	95,826	146,957	(53,957)
180,513	173,376	182,576	(2,063)
1,577,820	1,605,999	1,624,266	(46,446)
78,036	30,413	32,913	45,123
65,083	27,147	27,147	37,936
2,504,025	2,442,635	2,527,489	(23,464)

275,921	239,601	279,293	3,372
198,893	176,542	219,563	20,670
-	-	-	-
201,409	206,040	225,023	23,614
33,311	42,403	38,421	5,110
115,385	94,692	109,802	(5,583)
149,985	150,978	150,978	993
22,259	74,724	22,433	174
1,385,837	1,385,388	1,415,431	29,594
2,383,000	2,370,368	2,460,944	77,944

121,025	72,267	66,545	54,480
-	-	-	-

121,025	1,459,891	1,459,891	54,480
1,578,783	2,823,310	2,823,310	(1,244,527)
1,699,808	4,283,201	4,283,201	(1,190,047)

City of Strawberry Point

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended and increased budgeted receipts by \$84,854 and increased budgeted disbursements by \$90,576.

Other Supplementary Information

City of Strawberry Point

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2011

	NonMajor Special Revenue Schedule 2	NonMajor Capital Projects Schedule 3	Total
Receipts:			
Taxes	\$ 199,722	-	199,722
Licenses & Permits	-	-	-
Use of money and property	-	1,507	1,507
Intergovernmental	140,242	-	140,242
Charges for services	1,200	-	1,200
Special Assessments	-	52,631	52,631
Miscellaneous	17,761	-	17,761
Other Financing Sources	-	-	-
Total receipts	358,925	54,138	413,063
Disbursements:			
Public Safety	47,523	-	47,523
Public Works	129,093	13	129,106
Health & Soc Services	-	-	-
Culture & Rec	45,871	-	45,871
Comm & Eco Development	33,247	64	33,311
General Government	8,422	-	8,422
Debt service	-	-	-
Capital Projects	-	22,259	22,259
Proprietary	2,900	36,191	39,091
Total disbursements	267,056	58,527	325,583
Excess (deficiency) of receipts over (under) disbursements	91,869	(4,389)	87,480
Other financing sources:			
Operating transfers in	13,000	130,436	143,436
Operating transfers out	(99,436)	(69,329)	(168,765)
Net change in cash balances	5,433	56,718	62,151
Cash balances beginning of year	216,157	159,269	375,426
Cash balances end of year	\$ 221,590	215,987	437,577
Cash Basis Fund Balances			
Nonspendable	-	-	-
Restricted	17,706	68,929	86,635
Committed	-	-	-
Assigned	-	-	-
Unassigned	203,884	147,058	350,942
	\$ 221,590	\$ 215,987	437,577

See accompanying independent auditor's report

City of Strawberry Point

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Special Revenue

As of and for the year ended June 30, 2011

	110 Road Use Tax	112 Employee Benefits	113 T&A Munter	114 Electr Met Dep	115 Water Met Dep	116 T&A Library	117 T&A Fire	119 T&A Millard Lib
Receipts:								
Taxes	\$ -	80,161	-	-	-	-	-	-
Licenses & Permits	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	-	-
Intergovernmental	123,969	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	1,200	-
Special Assessments	-	-	-	-	-	-	-	-
Miscellaneous	1,384	533	1,394	2,850	925	-	3,920	-
Other Financing Sources	-	-	-	-	-	-	-	-
Total receipts	125,353	80,694	1,394	2,850	925	-	5,120	-
Disbursements:								
Public Safety	-	43,123	-	-	-	-	-	-
Public Works	113,653	11,301	-	-	-	-	-	-
Health & Soc Services	-	-	-	-	-	-	-	-
Culture & Rec	-	18,699	1,419	-	-	-	-	-
Comm & Eco Development	-	-	-	-	-	-	-	-
General Government	-	8,422	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-
Proprietary	-	-	-	2,169	731	-	-	-
Total disbursements	113,653	81,546	1,419	2,169	731	-	-	-
Excess (deficiency) of receipts over (under) disbursements	11,700	(852)	(25)	681	194	-	5,120	-
Other financing sources:								
Operating transfers in	-	-	-	-	-	-	5,000	-
Operating transfers out	(32,100)	-	-	-	-	-	-	-
Net change in cash balances	(20,400)	(852)	(25)	681	194	-	10,120	-
Cash balances beginning of year	108,508	7,316	16,082	6,763	4,289	11,746	14,340	49
Cash balances end of year	\$88,109	6,464	16,058	7,445	4,483	11,746	24,460	49
Cash Basis Fund Balances								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	6,464	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	88,109	-	16,058	7,445	4,483	11,746	24,460	49
	\$88,109	6,464	16,058	7,445	4,483	11,746	24,460	49

See accompanying independent auditor's report

Special Revenue

120 T&A Lib Harley	121 T&A Tree Board	122 T&A Ambulance	123 T&A Civic Center	124 LOST Debt Service	126 LOST Eco Dev	127 T&A Levy	128 T&A I-Jobs	129 FEMA Hazard	910 Prop Tax Cemetery	Total
-	-	-	-	66,490	33,245	-	-	-	19,826	199,722
-	-	-	-	-	-	-	-	-	-	-
-	1,250	-	-	-	-	-	7,366	7,657	-	140,242
-	-	-	-	-	-	-	-	-	-	1,200
-	-	2,525	4,230	-	-	-	-	-	-	17,761
-	-	-	-	-	-	-	-	-	-	-
-	1,250	2,525	4,230	66,490	33,245	-	7,366	7,657	19,826	358,925
-	-	-	-	-	-	-	-	4,400	-	47,523
-	-	-	-	-	-	-	4,138	-	-	129,093
-	1,955	-	3,961	-	-	-	-	-	19,836	45,871
-	-	-	-	-	33,247	-	-	-	-	33,247
-	-	-	-	-	-	-	-	-	-	8,422
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	2,900
-	1,955	-	3,961	-	33,247	-	4,138	4,400	19,836	267,056
-	(705)	2,525	269	66,490	(2)	-	3,228	3,257	(10)	91,869
-	-	-	8,000	-	-	-	-	-	-	13,000
-	-	-	-	(67,336)	-	-	-	-	-	(99,436)
-	(705)	2,525	8,269	(846)	(2)	-	3,228	3,257	(10)	5,433
2,210	584	15,880	16,039	12,088	2	258	(0)	-	0	216,157
2,210	(121)	18,405	24,308	11,242	0	258	3,227	3,257	(10)	221,590
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	11,242	-	-	-	-	-	17,706
-	-	-	-	-	-	-	-	-	-	-
2,210	(121)	18,405	24,308	-	-	258	3,227	3,257	(10)	203,884
2,210	(121)	18,405	24,308	11,242	-	258	3,227	3,257	(10)	221,590

City of Strawberry Point

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds-Capital Projects

As of and for the year ended June 30, 2011

	301			302			303			305			307			308			309		
	Cap	Eq	Imp	Cap	Eq	Imp	Cap	Eq	Imp	Cap	Eq	Imp	Cap	Eq	Imp	Cap	Eq	Imp	Cap	Eq	Imp
	Police			Fire			Ambulance			Street			Pool			Water			Sewer		
Receipts:																					
Taxes	\$	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licenses & Permits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property		62	-	-	-	-	-	-	-	76	-	-	-	-	-	129	-	-	1,131	-	-
Intergovernmental		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charges for services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Assessments		-	-	-	-	-	-	-	-	6,336	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Financing Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts		62	-	-	-	-	-	-	-	6,412	-	-	-	-	-	129	-	-	1,131	-	-
Disbursements:																					
Public Safety		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works		-	-	-	-	-	-	-	-	13	-	-	-	-	-	-	-	-	-	-	-
Health & Soc Services		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture & Rec		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm & Eco Development		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Government		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proprietary		-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,191	-	-	-	-	-
Total disbursements		-	-	-	-	-	-	-	-	13	-	-	-	-	-	36,191	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements		62	-	-	-	-	-	-	-	6,400	-	-	-	-	-	(36,062)	-	-	1,131	-	-
Other financing sources:																					
Operating transfers in		-	-	-	-	-	20,000	-	-	-	-	-	20,000	-	-	9,000	-	-	10,000	-	-
Operating transfers out		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(44,557)	-	-
Net change in cash balances		62	-	-	-	-	20,000	-	-	6,400	-	-	20,000	-	-	(27,062)	-	-	(33,426)	-	-
Cash balances beginning of year		15,561	(108,957)	-	-	-	264	-	-	18,566	-	-	18,898	-	-	42,000	-	-	94,833	-	-
Cash balances end of year	\$	15,623	(108,957)	-	-	-	20,264	-	-	24,966	-	-	38,898	-	-	14,938	-	-	61,407	-	-
Cash Basis Fund Balances																					
Nonspendable		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Committed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assigned		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unassigned		15,623	(108,957)	-	-	-	20,264	-	-	24,966	-	-	38,898	-	-	14,938	-	-	61,407	-	-
	\$	15,623	(108,957)	-	-	-	20,264	-	-	24,966	-	-	38,898	-	-	14,938	-	-	61,407	-	-

See accompanying independent auditor's report

311 Cap Eq Imp Clerks	312 Cap Eq Imp Park	320 Special Assessments	321 Streetscape	322 Rehab Housing	323 Cap Impr Street	324 Ind Park Impr	Total
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
108	-	-	-	-	-	-	1,507
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	46,295	-	-	-	52,631
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
108	-	-	46,295	-	-	-	54,138
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	13
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	64	-	-	64
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	21,097	1,162	22,259
-	-	-	-	-	-	-	36,191
-	-	-	-	64	21,097	1,162	58,527
108	-	-	46,295	(64)	(21,097)	(1,162)	(4,389)
-	-	-	-	-	71,436	-	130,436
-	-	(24,772)	-	-	-	-	(69,329)
108	-	(24,772)	46,295	(64)	50,339	(1,162)	56,718
8,430	3,500	24,773	22,633	17,848	(4,154)	5,074	159,269
8,538	3,500	1	68,929	17,783	46,185	3,912	215,987
-	-	-	-	-	-	-	-
-	-	-	68,929	-	-	-	68,929
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,538	3,500	1	-	17,783	46,185	3,912	147,058
8,538	3,500	1	68,929	17,783	46,185	3,912	215,987

City of Strawberry Point

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2011

	#611 Sewer Sinking	#612 Sewer Surplus	Total
Operating Receipts:			
Charges for service	\$ -	-	-
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total operating receipts	-	-	-
Operating Disbursements:			
Business type	104,178	-	104,178
Total operating disbursements	104,178	-	104,178
Excess (deficiency) of receipts over (under) disbursements	(104,178)	-	(104,178)
Other financing sources:			
Operating transfers in	104,178	-	104,178
Operating transfers out	-	(5,000)	(5,000)
Net change in cash balances	1	(5,000)	(5,000)
Cash balances beginning of year	123,986	71,847	195,834
Cash balances end of year	\$ 123,987	66,847	190,834
Cash Basis Fund Balances			
Nonspendable	\$ -	-	-
Restricted	123,987	66,847	190,834
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total cash basis fund balances	\$ 123,987	66,847	190,834

See accompanying independent auditor's report

CITY OF STRAWBERRY POINT
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2011

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Corporate Notes			
Civic Center Improvement and Refunding	11/1/2002	3.80-4.6%	380,000
Streetscapes	3/15/2005	3.10-4.25%	425,000
Series 2008B	5/1/2008	3.95%	675,000
General Obligation Street Improvement Bond	7/30/2009	4.40%	330,000
Electric Revenue Refinancing Bond			
	5/1/2008	3.0-4.3%	935,000
Sewer Revenue Bond			
Iowa Finance Authority SRF Project No CS-192265-01 Clean Water Program	2/7/2006	3%	1,500,000

Schedule 5

<u>Balance 7/1/2010</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance 6/30/2011</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
50,000	-	25,000	25,000	2,205	-
270,000	-	40,000	230,000	10,840	-
585,000	-	35,000	550,000	23,108	-
330,000	-	-	330,000	13,358	-
1,235,000	-	100,000	1,135,000	49,511	
775,000	-	85,000	690,000	30,183	-
1,267,000	-	63,000	1,204,000	38,010	-

City of Strawberry Point

Bond and Note Maturities

June 30, 2011

Year Ending June 30,	General Obligation Civic Center		General Obligation Streetscapes		General Obligation Series 2008B	
	Issued November 2002		Issued March 2005		Issued May 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	4.60	25,000	3.85	40,000	3.95	35,000
2013		-	3.95	45,000	3.95	40,000
2014		-	4.05	45,000	3.95	40,000
2015		-	4.15	50,000	3.95	40,000
2016		-	4.25	50,000	3.95	45,000
2017		-		-	3.95	45,000
2018		-		-	3.95	45,000
2019		-		-	3.95	50,000
2020		-		-	3.95	50,000
2021		-		-	3.95	50,000
2022		-		-	3.95	55,000
2023		-		-	3.95	55,000
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
		<u>\$ 25,000</u>		<u>230,000</u>		<u>550,000</u>

See accompanying independent auditor's report

General Obligation Street Improvement		Revenue Bond Electric Refinancing		Revenue Bond IFA-Clean Water	
Issued July 2009		Issued May 2008		Issued February 2006	
Interest		Interest		Interest	
Rates	Amount	Rate	Amount	Rate	Amount
4.40	-	3.50	90,000	3.00	65,000
4.40	15,000	3.70	90,000	3.00	67,000
4.40	20,000	3.85	95,000	3.00	69,000
4.40	20,000	4.00	100,000	3.00	71,000
4.40	20,000	4.10	100,000	3.00	73,000
4.40	20,000	4.20	105,000	3.00	75,000
4.40	25,000	4.30	110,000	3.00	77,000
4.40	20,000	-	-	3.00	80,000
4.40	25,000	-	-	3.00	82,000
4.40	25,000	-	-	3.00	84,000
4.40	25,000	-	-	3.00	87,000
4.40	30,000	-	-	3.00	89,000
4.40	85,000	-	-	3.00	92,000
-	-	-	-	3.00	95,000
-	-	-	-	3.00	98,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>330,000</u>		<u>690,000</u>		<u>1,204,000</u>	

City of Strawberry Point

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
Fax (319)283-2799

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Strawberry Point, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 13, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Strawberry Point's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Strawberry Point's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Strawberry Point's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the accompanying schedule of findings and questioned costs as items II-A11, II-C-11, and II-G-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-11, II-D-11, II-E-11, II-F-11, and II-H-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Strawberry Point's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Strawberry Point's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit Strawberry Point's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the city of Strawberry Point and other parties to whom Strawberry Point may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Strawberry Point during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

December 13, 2011

City of Strawberry Point
Schedule of Findings and Questioned Costs

June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. City of Strawberry Point is a small city with an office staff consisting of a city clerk and assistant city clerk. Both employees can have custody of cash before depositing. Both employees can prepare deposit tickets and deliver deposits to the bank.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its controls procedures in an attempt to maximum internal control where possible under the circumstances.

Conclusion – Response accepted.

II-B-11 Significant Deficiency – The City of Strawberry Point, Iowa prepares financial statements, but does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the

City of Strawberry Point

Schedule of Findings and Questioned Costs

June 30, 2011

internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

- II-C-11 Reconciliation of Utility Billings and Collections-The City is not currently reconciling utility billings and collections. Reconciliation of utility receivables is an important safeguard against

Recommendation-The city should begin to reconcile utility receivable as soon as possible.

Response-The City will began reconciling the receivables as soon as feasible.

Conclusion-Response accepted.

- II-D-11 Incorrect Utility Billing-In doing recalculation of utility billings we found one that was incorrectly billed. Customer had a new water meter and should have had a multiplier of one hundred applied to its usage. The system still had customer with an old meter and did not multiply usage by one hundred. Customer was under billed for a little over a year.

Recommendation-City should consider reviewing all work orders for meter changes to see that the computer system agrees with what customers actually have in regard to meters.

Response-The city will consider the recommendation and whether or not the time spent investigating this matter is cost efficient.

Conclusion-Response accepted.

- II-E-11 Consistency in Coding of Revenues and Expenditures to Funds-The City normally uses 6xx- as the code for Business Type Funds, but the City budgeted some 3xx- accounts to Business Type Funds. Normally 3xx- accounts are Capital Project accounts.

Recommendation-We recommend that if you are going to budget certain Capital Projects under Business Type Funds that you assign a 6xx- to that account.

Response-In the future we will assign a 6xx- number to any capital project that is in fact a Business Type capital project.

Conclusion-Response accepted.

City of Strawberry Point

Schedule of Findings and Questioned Costs

June 30, 2011

- II-F-11 Delinquent Billing Collections-At June 30, 2011 there were six city officials or employees that were on the delinquent list. One was a timing issue. Four were paid subsequently. One was still delinquent in early October.

Recommendation-The City needs to address this issue and decide what should be done.

Response-The City has received a payment schedule from the above delinquent individual.

Conclusion-Response accepted.

- II-G-11 Software Difficulties in Reconciling Cash-In preparing the trial balance using City's prior year cash balance, adding revenues and transfers in, and subtracting expenditures and transfers out and arriving at would should be the ending cash balance we discovered that the result did not agree with the Treasurer's Report. This was due to several factors. One factor was that the maturing of a Certificate of Deposit was recorded as a revenue, this merely transferred cash from an investment to a cash account within the same fund, and the offset went into the balance sheet. This should not have been recorded as revenue since it was merely moving cash from a certificate of deposit to a cash account within the same fund. Another factor was that the software accrues payroll deductions, and these liabilities had not been cleared out during the year. Both reduced cash on balance sheet reports.

Recommendation-In light of the fact that the City is on the cash basis and the software system that the City is using accrues certain items it is imperative that these accrual items be adjusted each month.

Response-The software system was new for the fiscal year ended June 30, 2011 and the clerk and assistant clerk are just learning some of the problems inherent in the system and adapting to them. They will pay particular attention to these areas in the future and compare cash balances.

Conclusion-Response accepted.

- II-H-11 Interfund Transfers Per Resolution Not Made-For the year ended June 30, 2011 the City approved budgeted interfund transfers and additional interfund transfers per Resolution #11-07. Discrepancies appeared when reconciling the total amount of funds transferred per the budget and Resolution with the total amount of funds transferred per the listing of interfund transfers made during the year. These discrepancies were the result of three transfers per Res. #11-07 that were not made. Also, a fourth transfer per the Resolution was made for an amount double the amount approved in the Resolution.

Recommendation-We recommend the City amend a resolution when actual interfund transfers made are altered and/or omitted based on the original, approved resolution.

City of Strawberry Point

Schedule of Findings and Questioned Costs

June 30, 2011

Response-In the future the City will amend a resolution if, for any reason, interfund transfers as listed on the original resolution are to be altered and/or omitted.

Conclusion-Response accepted.

INSTANCES OF NON-COMPLIANCE:

No instances of non-compliance.

Part III: Findings Related to Statutory Reporting:

III-A-11 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2011.

III-B-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the general government activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-11 Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-D-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Strawberry Point
Schedule of Findings and Questioned Costs
June 30, 2011

- III-E-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Dale Fox, Mayor, Owner Strawberry Computing	Computer services	\$207

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the mayor do not appear to represent a conflict of interest since the total transactions with this individual were less than \$2,500 during the fiscal year.

- III-F-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-H-11 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Strawberry Point
Staff

This audit was performed by:

Donald A. Snitker, CPA, Audit Partner

Al Flick, CPA, Assistant Auditor

Jeremy P. Lockard, CPA, Assistant Auditor